

# Hillegas Advisory Services, Inc.

CRD# 125275

## Brochure

**Dated: March 9, 2018**

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This brochure provides information about the qualifications and business practices of Hillegas Advisory Services, Inc. (“HAS”). If you have any questions about the contents of this brochure, please contact us at (858) 756-6111 or [craig.hillegas@haswealth.com](mailto:craig.hillegas@haswealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Hillegas Advisory Services, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Hillegas Advisory Services, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## Item 2            Material Changes

Since our last ADV Annual Amendment filing, made on March 27, 2017, our principal office has moved to 225 W. Plaza St., #201, Solana Beach, California 92075. There have been no further material changes made to this disclosure statement.

**ANY QUESTIONS: HAS' Chief Compliance Officer, Craig Hillegas, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

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## Item 4      **Advisory Business**

- A. Hillegas Advisory Services, Inc. (“HAS”) was founded 1993 as a sole proprietorship and was subsequently incorporated in December 2008 in the State of California. HAS registered as an Investment Adviser Firm in 1993. HAS is principally owned by Craig Hillegas, MSBA, CFP®. Mr. Hillegas is also HAS’s Founder & President.
- B. As discussed below, HAS offers to its clients (individuals, business entities, trusts, estates, and pension and profit sharing plans, etc.) Investment Management/Advisory Services, and, to the extent specifically requested by a client, Wealth Design, Planning and Consulting Services. HAS offers the following Investment Management Services:

**1. Investment Management – Core Plus More Services** This offering may be provided to those clients with at least \$5,000,000 of assets placed under HAS’s management. This service offering includes the following:

- ❖ Ongoing Investment Management (portfolio supervision, investing new monies, handling distribution needs, implementing portfolio adjustments).
- ❖ Risk Profiling Services (with updates as requested)
- ❖ Investment Strategy Updates
- ❖ Ongoing HAS communications - portfolio reports, newsletters, eUpdates
- ❖ Access to specialized institutional fund managers
- ❖ Tax planning services may include
  - Tax savings opportunities
  - Tax-advantaged investment strategies
  - Tax-advantaged retirement income

For additional information on fees for Investment Management – Core Plus More proceed to Item 5 in this document.

HAS, in its sole discretion, may elect to waive the standard \$5,000,000 minimum and offer Core Investment Management Services.

**2. Investment Management – Core Services**

Core Investment Management Services include the following:

- ❖ Ongoing Investment Management (investing new monies, adjusting portfolio for distributions, portfolio adjustments).
- ❖ Risk Profiling Service offering (with updates as requested)
- ❖ Investment Strategy Updates
- ❖ Ongoing HAS communications - portfolio reports, newsletters, eUpdates

Investment Management Services will be provided at a quarterly rate of 0.25% of assets under management. See Item 5 for fee details including incremental savings for larger accounts.

### **3. WEALTH DESIGN, PLANNING AND CONSULTING SERVICES (Provided on a Stand-Alone basis)**

To the extent specifically requested by a client, HAS may be engaged to provide wealth design, financial planning and/or consulting services (including investment and non-investment related matters, including retirement planning, estate-related consultations, tax planning, cash flow management, financial statements, etc.) on a stand-alone, separate fee basis. HAS's planning and consulting fee will vary depending upon the scope of requested services and the complexity of one's personal, family, business, investment and estate affairs. Special project or one-time services will be billed on a monthly basis, beginning on the first day of the month following the date Client executes their agreement. For ongoing consulting services, Client will be (billed quarterly, in advance) in return for services rendered.

Prior to engaging HAS to provide planning or consulting services, clients are generally required to enter into a *Wealth Design, Financial Planning and Consulting Agreement* with HAS setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to HAS commencing services. If requested by the client, HAS may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from HAS. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. Please Also Note: It remains the client's responsibility to promptly notify HAS if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising HAS's previous recommendations and/or services.

#### **Miscellaneous**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, HAS may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. HAS does not serve as an attorney, accountant, or insurance agency, and no portion of its services should be construed as legal advice, accounting, or insurance brokerage services. Accordingly, HAS does not prepare estate planning documents, tax returns, engage in tax planning or sell insurance products. To the extent requested by a client, HAS may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by HAS or its representatives. Please Note: If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. Moreover, HAS recommends that all clients engage the services of an unaffiliated tax professional for guidance with regards to tax planning issues.

**Private Investment Funds.** HAS may provide investment advice regarding unaffiliated private investment funds. HAS's role relative to the private investment funds shall be limited to its initial due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of HAS calculating its investment advisory fee. HAS's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that HAS references private investment funds owned by the client on any supplemental account reports prepared by HAS, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. However, if subsequent to purchase, the fund has not provided an updated valuation, the valuation shall reflect the initial purchase price. If subsequent to purchase, the fund provides an updated valuation, then the statement will reflect that updated value. The updated value will continue to be reflected on the report until the fund provides a further updated value. **Please Also Note:** As result of the valuation process, if the valuation reflects initial purchase price or an updated value subsequent to purchase price, the current value(s) of an investor's fund holding(s) could be significantly more or less than the value reflected on the report. Unless otherwise indicated, the client's advisory fee shall be based upon the value reflected on the report.

**Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If HAS recommends that a client roll over their retirement plan assets into an account to be managed by HAS, such a recommendation creates a conflict of interest if HAS will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, HAS serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. No client is under any obligation to roll over plan assets to an IRA managed by HAS or to engage HAS to monitor and/or manage the account while maintained at the client's employer.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage HAS on a non-discretionary investment advisory basis **must be willing to accept** that HAS cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that HAS would like to make a transaction for a client's account (including an individual holding or in the event of general market

correction), and the client is unavailable, HAS will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**Use of Mutual and Exchange Traded Funds:** Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by HAS independent of engaging HAS as an investment advisor. However, if a prospective client determines to do so, he/she will not receive the HAS's initial and ongoing investment advisory services.

**Use of DFA Mutual Funds:** HAS utilizes mutual funds issued by Dimensional Fund Advisors ("DFA"). DFA funds are generally only available through registered investment advisers. Thus, if the client was to terminate HAS's services, and not transition to another adviser who utilizes DFA funds, restrictions regarding additional purchases of, or reallocation among other, DFA funds will generally apply.

**Portfolio Activity.** HAS has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, HAS will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when HAS determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by HAS will be profitable or equal any specific performance level(s).

**eMoney Advisor Platform.** HAS may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view their complete asset allocation, including those assets that HAS does not manage (the "Excluded Assets"). HAS does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, HAS shall not be responsible for the investment performance of the Excluded Assets. **Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets, and not HAS, shall be exclusively responsible for such investment performance.** The client may choose to engage HAS to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between HAS and the client. The eMoney platform also provides access to other types of information, including financial planning concepts, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by HAS. Finally, HAS shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without HAS's assistance or oversight

**Independent Managers.** HAS may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager(s)* shall have day-to-day responsibility for the active discretionary management of the allocated assets. HAS shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which HAS shall consider in recommending *Independent Manager(s)* include the client's designated investment objective(s), management style, performance, reputation, financial strength,

reporting, pricing, and research. The investment management fee charged by the Independent Manager(s) is separate from, and in addition to, HAS's advisory fee as set forth in Item 5.

**Client Obligations.** In performing its services, HAS shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify HAS if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising HAS's previous recommendations and/or services.

**Disclosure Statement.** A copy of HAS's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Wealth Design, Financial Planning and Consulting Agreement*.

- C. HAS shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, HAS shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on HAS's services.
- D. HAS does not participate in a wrap fee program.
- E. As of December 31, 2017, HAS had \$113,166,708 in assets under management on a discretionary basis and \$6,874,191 on a non-discretionary basis.

## **Item 5            Fees and Compensation**

A.

### **1.    Investment Management – Core Plus More**

These services may be provided to prospective clients. These services will be provided at a quarterly rate of 0.25% payable in arrears on a quarterly basis. HAS provides incremental savings with fee reductions according to this schedule:

<b>Quarterly Rate</b>	<b>Market Value of Portfolio</b>
0.25%	up to \$2,000,000
0.20%	over \$2,000,000 and up to \$5,000,000
0.15%	over \$5,000,000 and up to \$10,000,000
0.10%	Amount over \$10,000,000

HAS's investment advisory fee is negotiable at HAS's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with HAS and/or its representatives, and negotiations with the client. As



a result of these factors, similarly situated clients could pay different fees, the services to be provided by HAS to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

## **2. Investment Management – Core Services**

These services may be provided to prospective clients. These services will be provided at a quarterly rate of 0.25% payable in arrears on a quarterly basis. HAS provides incremental savings with fee reductions according to this schedule:

<b>Quarterly Rate</b>	<b>Market Value of Portfolio</b>
0.25%	up to \$1,000,000
0.20%	over \$1,000,000

HAS's investment advisory fee is negotiable at HAS's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with HAS and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by HAS to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

**The following service may be offered to prospective clients:**

## **3. WEALTH DESIGN, PLANNING AND CONSULTING SERVICES (Provided on a Stand-Alone basis)**

To the extent specifically requested by a client, HAS may be engaged to provide wealth design, financial planning and/or consulting services (including investment and non-investment related matters, including retirement planning, estate-related consultations, tax planning, cash flow management, financial statement, insurance planning, charitable planning etc.) on a stand-alone fee basis. Fees are negotiable. Lower fees for comparable services may be available from other sources.

HAS's planning and consulting fee will vary depending upon the scope of requested services and the complexity of one's personal, family, business, investment and estate affairs. Prior to engaging HAS to provide planning or consulting services, clients are generally required to enter into a *Wealth Design, Financial Planning and Consulting Agreement*, in which HAS sets forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to HAS commencing services. Also, the Agreement will specify whether billing will occur on a monthly or quarterly basis. Special project or one-time services will typically be billed on a monthly basis in arrears, except for any initial deposit which will be credited toward the first invoice. For ongoing consulting services and engagements, Client will be (billed quarterly, in advance) in return for services rendered.



HAS may offer service based on a percentage of assets (usually for an investment-related project) or offer service on an hourly basis from \$295 to \$495, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have HAS's advisory fees deducted from their custodial account. Both HAS's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of HAS's investment advisory fee and to directly remit that management fee to HAS in compliance with regulatory procedures. In the limited event that HAS bills the client directly, payment is due upon receipt of HAS's invoice. HAS shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter. HAS may offer billing on a semi-annual basis in arrears; in general, this arrangement may apply to smaller accounts or grandfathered clients who continue with a semi-annual billing and reporting schedule.

**Asset Based Pricing Limitations:** Relative to Independent Manager engagements, HAS, depending upon anticipated trading activity of the recommended Independent Manager, may recommend that its clients consider entering into an asset based pricing agreement with the account custodian. Under an asset based pricing arrangement, the amount that a client will pay the custodian for account commission/transaction fees is based upon a percentage (%) of the market value of your account, generally expressed in basis points. One basis point is equal to one one-hundredth of one percent (1/100th of 1%, or 0.01% (0.0001). This differs from transaction-based pricing, which assesses a separate commission/transaction fee against your account for each account transaction. Account investment decisions are driven by security selection and anticipated market conditions and not the amount of transaction fees payable by you to the account custodian. We do not receive any portion of the asset based transaction fees payable by you to the account custodian. We continue to believe that our clients can benefit from an asset based pricing arrangement. You can request at any time to switch from asset based pricing to transactions based pricing. However, there can be no assurance that the volume of transactions will be consistent from year-to-year given changes in market events and security selection. Thus, given the variances in trading volume, any decision by you to switch to transaction based pricing could prove to be economically disadvantageous.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, HAS shall generally recommend that Charles Schwab and Co., Inc. ("Schwab"), TIAA, *American Funds* ("AF"), and/or *Equity Institutional* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers/custodians such as *Schwab*, *AF* and/or *Equity Institutional* may charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to HAS's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. HAS's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. HAS, in its sole discretion, may elect to bill a client less frequently than quarterly (e.g. semi-annually) and prorate the fee based on the market value of the Assets on the last business day of the extended billing period.

The *Investment Advisory Agreement* between HAS and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, a pro-rated portion of the unearned but paid advisory fee shall be returned to the client. In the event fees are paid in arrears (e.g. due to a historical agreement and fee arrangement), upon termination a pro-rated portion of the earned but unpaid advisory fee shall be due.

- E. Neither HAS, nor do its representatives accept compensation from the sale of securities or other investment products.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Neither HAS nor any supervised person of HAS accepts performance-based fees.

## **Item 7            Types of Clients**

HAS's clients shall generally include individuals, business entities, trusts, estates, pension and profit sharing plans, etc. HAS generally requires a minimum account of \$5,000,000 for its active discretionary investment management services. However, HAS, in its sole discretion, may reduce its account minimum, minimum annual fee and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related or family member accounts, historical relationship, account composition, negotiations with client, HAS employee or independent contractor, etc.). See Item 4 and 5 for these alternative, lower minimum services.

## **Item 8            Methods of Analysis, Investment Strategies and Risk of Loss**

- A. HAS may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices with the intention of purchasing at reduced or discounted prices, especially when purchasing closed-end funds which may trade at a discount relative to the investments' NAV or Net Asset Value)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

HAS may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by HAS) will be profitable or equal any specific performance level(s).

- B. HAS's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis HAS must have access to current/new market information. HAS has no control over the dissemination rate of market information; therefore, unbeknownst to HAS, certain analyses may be compiled with outdated market information, severely limiting the value of HAS's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

HAS's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, HAS may also implement and/or recommend options transactions.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by HAS shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by HAS is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct HAS, in writing, not to employ any or all such strategies for their accounts

- C. Currently, HAS primarily allocates client investment assets among various, mutual funds and/or exchange traded funds ("ETFs") (and to a significantly lesser extent, amongst various individual equity (stocks), and/or fixed income securities), on a discretionary and/or non-discretionary basis in accordance with the client's designated investment objective(s).

**Item 9            Disciplinary Information**

HAS has not been the subject of any disciplinary actions.

**Item 10           Other Financial Industry Activities and Affiliations**

- A. Neither HAS, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither HAS, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. HAS does not have a relationship or arrangement with a related person that is material to its advisory business.
- D. HAS does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

**Item 11           Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

- A. HAS maintains an investment policy relative to personal securities transactions. This investment policy is part of HAS's overall Code of Ethics, which serves to establish a standard of business conduct for all of HAS's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.
- B. Neither HAS nor any related person of HAS recommends, buys, or sells for client accounts, securities in which HAS or any related person of HAS holds a material financial interest.
- C. HAS and/or representatives of HAS may buy or sell securities that are also recommended to clients. This practice may create a situation where HAS and/or representatives of HAS are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if HAS did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of HAS's clients) and other potentially abusive practices.

HAS employs a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of HAS's "Access Persons". HAS's securities transaction policy requires that Access Person of HAS must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date HAS selects; provided, however that at any time that HAS

retains only one Access Person, he or she shall not be required to submit any securities report described above.

- D. HAS and/or representatives of HAS *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where HAS and/or representatives of HAS are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11 C, HAS employs a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of HAS's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that HAS recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct HAS to use a specific broker-dealer/custodian), HAS generally recommends that investment management accounts be maintained at *Schwab, AF* and/or *Equity Institutional*. Prior to engaging HAS to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with HAS setting forth the terms and conditions under which HAS shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that HAS considers in recommending *Schwab, AF* and/or *Equity Institutional* (or any other broker-dealer/custodian to clients) include historical relationship with HAS, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by HAS's clients shall comply with HAS's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where HAS determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although HAS will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, HAS's investment management fee. HAS's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, HAS receives from *Schwab* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist HAS to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by HAS may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis

attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by HAS in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist HAS in managing and administering client accounts. Others do not directly provide such assistance, but rather assist HAS to manage and further develop its business enterprise.

HAS's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by HAS to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

#### Additional Benefits

HAS has received certain additional economic benefits ("Additional Benefits") from *Schwab* that may or may not be offered to HAS again in the future. Specifically, the Additional Benefits include partial payment for certain research expenses for the benefit of HAS. The economic benefits have been valued at approximately up to \$2,800. The Additional Benefit payment was negotiated and is non-recurring. HAS has no expectation that these Additional Benefits will be offered again; however, HAS reserves the right to negotiate for these Additional Benefits in the future. *Schwab* provided the Additional Benefits to HAS at their sole discretion and at their own expense, and neither HAS nor its clients pay any fees to *Schwab* for the Additional Benefits. HAS has entered into a written agreement to govern the Additional Benefits.

**HAS's Chief Compliance Officer, Craig Hillegas, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.**

2. HAS does not receive referrals from broker-dealers.
3. HAS does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and HAS will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by HAS. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs HAS to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through HAS. Higher transaction costs adversely impact account performance. Please Also Note: Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.



HAS's Chief Compliance Officer, Craig Hillegas, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that HAS provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless HAS decides to purchase or sell the same securities for several clients at approximately the same time. HAS may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among HAS's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. HAS shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13      Review of Accounts**

- A. For those clients to whom HAS provides investment supervisory services, account reviews are conducted on an ongoing basis by HAS's representatives. All investment supervisory clients are advised that it remains their responsibility to advise HAS of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with HAS on an annual basis.
- B. HAS may conduct account reviews other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. HAS may also provide a written periodic report summarizing account activity and performance.

### **Item 14      Client Referrals and Other Compensation**

- A. As referenced in Item 12.A.1 above, HAS receives an economic benefit from *Schwab*. HAS, without cost (and/or at a discount), receives support services and/or products from *Schwab*.

HAS's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by HAS to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

HAS's Chief Compliance Officer, Craig Hillegas, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest.



- B. HAS does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

## **Item 15 Custody**

HAS shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. HAS may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that HAS provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by HAS with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of HAS's advisory fee calculation.

## **Item 16 Investment Discretion**

The client can determine to engage HAS to provide investment advisory services on a discretionary basis. Prior to HAS assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming HAS as client's attorney and agent in fact, granting HAS full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage HAS on a discretionary basis may, at any time, impose restrictions, in writing, on HAS's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe HAS's use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. Unless the client directs otherwise in writing, HAS is responsible for voting client proxies (However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). HAS shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. HAS shall monitor corporate actions of individual issuers and investment companies consistent with HAS's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which HAS will consider when determining how it will vote differ on a case by case basis, they may, but are not be limited to, include a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. Information pertaining to how HAS voted on any specific proxy issue is also available upon written request. Requests should be made by contacting HAS's Chief Compliance Officer, Craig Hillegas.
- B. To the extent that client elect to vote their own proxies, client's will receive their proxies or other solicitations directly from their custodian. Clients may contact HAS to discuss any questions they may have with a particular solicitation.

**Item 18      Financial Information**

- A. HAS does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. HAS is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. HAS has not been the subject of a bankruptcy petition.